

Utah!

2004 MARKET PROFILE ANALYSIS



**Utah Division of Travel Development
Department of Community & Economic Development
June 2004**

2004 Market Profile Analysis

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The logo for the state of Utah, featuring the word "Utah!" in a large, blue, stylized script font.

2004 Situation Analysis

Overview

The lingering effects of 9/11, the war with Iraq, SARS, and difficult economic conditions presented a challenging set of circumstances for the travel industry in 2003. The increase in destination skiers and gains in the restaurant sector helped the amount of spending and employment related to travel and tourism to improve slightly. A successful 2002 Olympic Winter Games played a significant role in attracting more destination skiers to the state in 2003. However, research has shown that people need to be reminded that the Olympics were held here. Without that reminder and an invitation to visit, potential travelers still revert back to old stereotypes when thinking about the state. Advertising does present at least an \$8.64 to \$1 ROI (Return on Investment) and is necessary to capitalize on the success of the 2002 Games. As the economy improves, the amount of tourism, travel, and recreation in Utah should increase if people are reminded of what Utah has to offer.

2003 Summary

Utah Bucks the National Trend - Again. Similar to 2002, Utah's travel and tourism sector performed quite well, considering the difficult year it has been for tourism nationally. Non-resident tourism arrivals to Utah nearly matched 2002 (Olympic-year) levels, decreasing only 0.6% to 17.2 million. The number of domestic travelers lowered just barely, while international visitation fell 3.3%. Visitation reports indicated a minimal decrease in vehicle traffic along Utah's interstates and slightly less visitors at national parks and state-operated welcome centers. Hotel occupancies were 59.3% in 2003, a small decline of 2.8%. Despite falling prices nationally, statewide room rates decreased only slightly when compared to 2002, indicating somewhat less demand in the state's lodging sector. Hotel room rents declined 12% when compared to 2002, but that was to be expected since hotel room rents for the Olympics were uncharacteristically high. Hotel room rents for 2003 surpassed room rents for 2001, continuing an upward trend that has lasted over 20 years (if 2002 is considered an outlier). The downturn in air travel continued throughout the nation in 2003, but the number of passengers at the Salt Lake International Airport basically equaled those of 2002. The long-lasting drought continued difficulties at many state parks and prompted a 22.4% decline in state park visitation during the year. A year after the Olympics, the number of skier days increased 5.6%. Destination skiers, who viewed Utah and the Olympics on television, salvaged what could have been one of the worst seasons in decades. Local skiers stayed off the slopes due to the lack of snowfall to which they've grown accustomed.¹

In 2001, consumers began retrenching, given the increase in economic uncertainty related to employment, income growth, and the stock market. Reactions to the terrorist events of September 11th prompted further changes in travel behavior. Continued economic uncertainty, combined with the war on terrorism, further entrenched those changes in 2002. The war with Iraq, SARS, and a weak economy caused the trends of 2002 to continue in 2003. The most salient changes in travel behavior from 9/11 to the present include:

- Shorter trips closer to home
- Booking/reserving within 2 weeks of trip
- Less business travel
- Online requests for information and online booking
- Spending less
- More interest in making connections – with family, nature, heritage, and culture
- More interest in outdoor recreation activities and travel to rural America

Utah was well positioned to benefit from many of the changing travel patterns among domestic leisure visitors. Utah's gains among domestic leisure travelers, combined with the after-effects of the Olympics and a good convention year, helped offset declines in business and international travel. The increases in destination skiers and in the restaurant sector helped total traveler spending to rise 2.0% in 2003, to \$4.225 billion. Total state and local taxes generated by travel spending totaled \$341 million in 2003, or \$486 per Utah household. Increases from regional and discount airlines prompted travel-related employment to increase 1.6% in 2003. Total travel-related employment was 102,783 in 2003, accounting for 10% of total Utah nonfarm jobs.

Perceptions of Utah and Advertising Effectiveness a year after the 2002 Olympic Winter Games

Despite the significant gains for the state's tourism industry during the Olympic period, research indicated that part of the 2002 Olympic Winter Games legacy could be in increased tourism opportunities in the future. A survey among U.S. residents shortly after the conclusion of the event identified the following changes in Utah's domestic image:²

- Utah's image improved slightly as a result of the 2002 Olympic Winter Games;
- 7.1 million more adults say they are likely to vacation in Utah than before the Games;

¹ Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

² *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Wirthlin Worldwide, Spring 2002.

- Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people after exposure through the Games; and
- Utah's high quality workforce is more recognized by executives around the country following the Games.

One can look back on 2003 and see that the Olympics definitely had a positive effect on Utah's ski season and helped the tourism industry nearly maintain 2002 levels in spite of many obstacles. However, Utah's Olympics will become old news once the torch is lit for the 2004 Games. Additionally, the 7.1 million adults - who say they are likely to vacation in Utah as a result of the Olympics - are potential marginal gain directly attributed to the Olympics. Whether or not they will actually come remains to be seen. In 2003, focus groups were conducted "to determine the most appropriate message opportunity evolving from the post-Olympic afterglow into the next phase of attracting additional visitors" to the state.³ Results showed that without reminding people that the Olympics were here, people still have the following perceptions of Utah:

- Very closely associated with the Mormon religion
- More conservative than Colorado
- Limited nightlife available
- Limited activities available
- Described as desert-like, red-rocks

Once these same people were reminded that the Olympics were held in Utah, their perceptions of Utah quickly changed to talking about Utah's beauty, mountains, and sports. They remembered seeing people having fun at night during the Olympics and talked about Utah being a fun place with lots to do. The logical conclusion is that Utah's tourism industry needs to continue to remind potential visitors about the Olympics and what Utah has to offer. With some aided awareness, Utah may still benefit from the afterglow of the Olympics but the time frame to accomplish this task is quickly narrowing. Additionally, Utah has been losing traveler spending market share to other states. From 1992 to the present, Utah's market share has trended downward overall. Advertising is crucial to maintaining the small market share that the state has, and further funding may even help to increase Utah's share of traveler spending.

In 2003, an advertising effectiveness study was also conducted.⁴ This was the first study of its kind for the State of Utah. One of the goals of the study was to determine the ROI for the State's advertising in 2003. Using a conservative approach, the study demonstrates that the State's advertising generated an ROI of over \$30 million in tax revenue in 2003. Additionally, \$8.64 in tax revenue is generated for each \$1 spent on advertising.

2004 Outlook - Cautious Optimism

Despite a fair amount of uncertainty, the outlook for 2004 is cautiously optimistic. Factors such as the economy, consumer confidence, the stock market, shifting travel preferences, our continued presence in Iraq, and the ever-present possibility of another major terrorist attack could cloud the view. Nonetheless, Utah tourism is expected to increase in 2003. Slow but steady growth in domestic leisure travel should occur, especially if the economy continues to improve. Business travel is predicted to remain weak, but as more and more signs point to a healthier economy, business travel may eventually increase. International travel is expected to grow despite new government security policies that discourage travel to the U.S. Early snowfall allowed most Utah ski resorts to open early, and the 2003/04 ski season was the best ever in Utah, with nearly 3.4 million skier days. Furthermore, visitation to Utah's National Parks was up 10% in the first quarter of 2004, compared to the first quarter of 2003.

Competition among nearby destinations for the local and regional markets will continue to intensify, as marketers continue to focus their priorities towards close-to-home markets and quick getaways. Many western states spend much more on marketing and advertising than Utah to attract their visitors, and the battle for market share is constant. Notwithstanding, national trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel, and family travel. Utah is well positioned to attract visitors seeking a higher quality, more unique experience. However, those visitors need to hear what the state has to offer.

³ *Utah Travel Council Research Report*, Riester-Robb, August 2003

⁴ *FY03 Utah Advertising Effectiveness Study*, NFO Plog Research, August 2003

SUMMARY OF UTAH TOURISM ACTIVITY - 2003

Economic Indicators	2003	2002	% Change
Total Non-Resident Visitors	17.2 Million	17.3 Million	-0.6%
U.S. Visitors	16.6 Million	16.7 Million	-0.6%
International Visitors	590,000	610,000	-3.3%
Total Tourism Spending	\$4.225 Billion	\$4.142 Billion	2.0%
Total Tourism-Related Tax Revenues	\$341 Million	\$335 Million	1.8%
State Tax Revenues	\$251 Million	\$247 Million	1.6%
Local Tax Revenues	\$90 Million	\$89 Million	1.1%
Total Tourism-Related Employment	102,783	101,164	1.6%
Direct Tourism Employment	70,509	69,398	1.6%
Indirect Tourism Employment	32,274	31,766	1.6%
Volume Indicators	2003	2002	% Change
Airline Passengers at Salt Lake International Airport	18.5 Million	18.7 Million	-1.1%
National Park Visitors	5.0 Million	5.1 Million	-2.0%
National Monument & Recreation Area Visitors	4.9 Million	5.0 Million	-2.4%
State Park Visitors	4.6 Million	5.8 Million	-20.6%
Utah Welcome Center Visitors	659,000	677,000	-2.6%
Total Skier Visits	3.1 Million	3.0 Million	3.3%
Statewide Hotel Occupancy Rate	58.8%	62.1%	NA
Interest Indicators	2003	2002	% Change
Utah.com Visitors	3.3 Million	4.0 Million	-17.3%
Total Phone Calls	33,000	39,800	-17.0%
Total Travel Guide Fulfillment	43,800	50,300	-12.9%

2004 Domestic Consumer Analysis – Utah Tourism

Overview

Utah's most common visitor is a baby boomer family in the middle to upper class from the Western United States. The parents are generally well educated and employed. The purpose of their trip is leisure based, with the largest group visiting friends and family or enjoying a general vacation. Most visitors drive to Utah and stay in a hotel or motel. The summer is the most common time to travel to the state. Visitors typically include a variety of activities during their stay including:

- Visiting the national and state parks
- Touring Utah's vast open spaces
- Participating in outdoor recreation activities
- Visiting historic and culture sites

As with most travelers nationwide, shopping, dining and entertainment are also important aspects of the trip to Utah. The average domestic overnight leisure visitor to Utah stays three nights in the state and spends \$75 per day.

Consumer Demographics

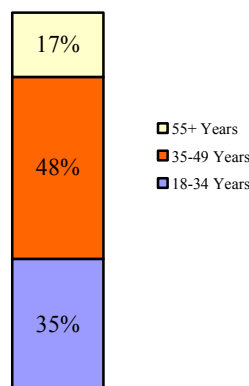
Top Origin Markets for Travelers to Utah, 2001

(Travel defined as any overnight trip or any day-trip greater than 50 miles one way)

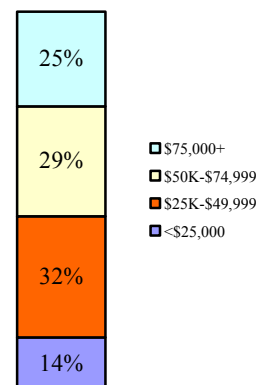
<u>Top States</u>	
Utah	36%
California	17%
Idaho	8%
Nevada	7%
Colorado	5%
Texas	3%
Wyoming	2%
Washington	2%
Arizona	2%
New Mexico	2%

<u>Top DMA's</u>	
Salt Lake City	40%
Los Angeles	9%
Las Vegas	4%
Denver	4%
Idaho Falls / Pocatello	4%
San Francisco Bay Area	3%
Twin Falls	2%
Sacramento	2%
Phoenix	2%
Albuquerque	2%

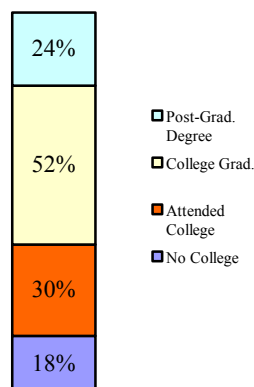
**Age Distribution of
Non-Resident Travelers
to Utah**
Average (years) 41.7



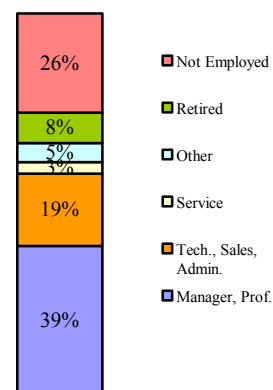
Household Income
Average AHH Income \$57,600



Education



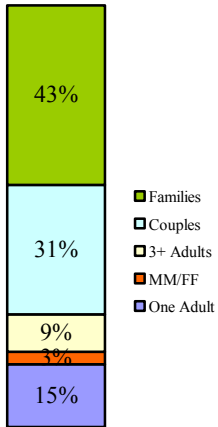
Occupation



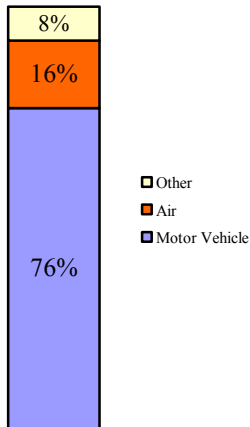
SOURCE: *Utah 2001 Overnight Leisure Visitor Profile*, D.K. Shifflet and Associates, Ltd.

Travel Patterns of Travelers to Utah

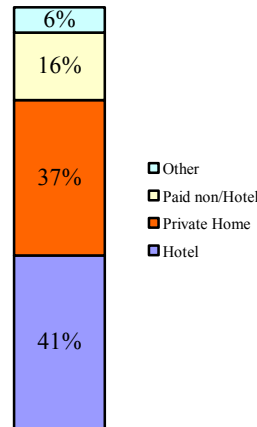
Party Composition, 2001
(Avg. Party Size 3.4 Pers.)



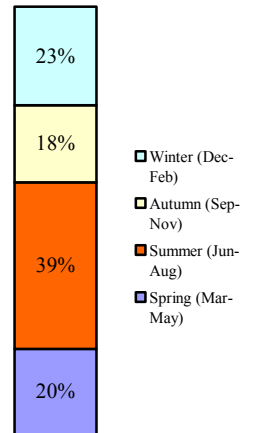
Transportation, 2001



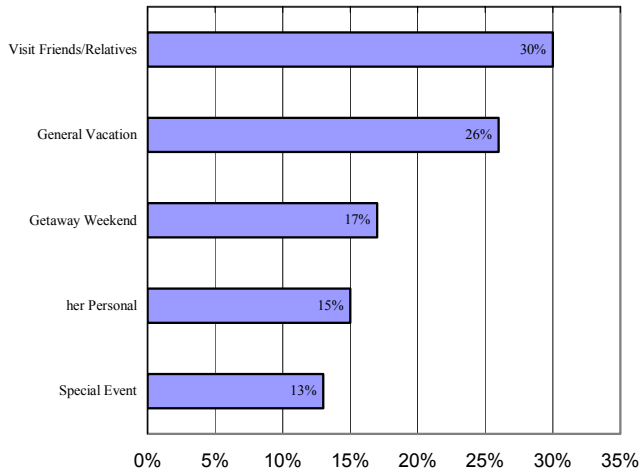
Accommodations, 2001



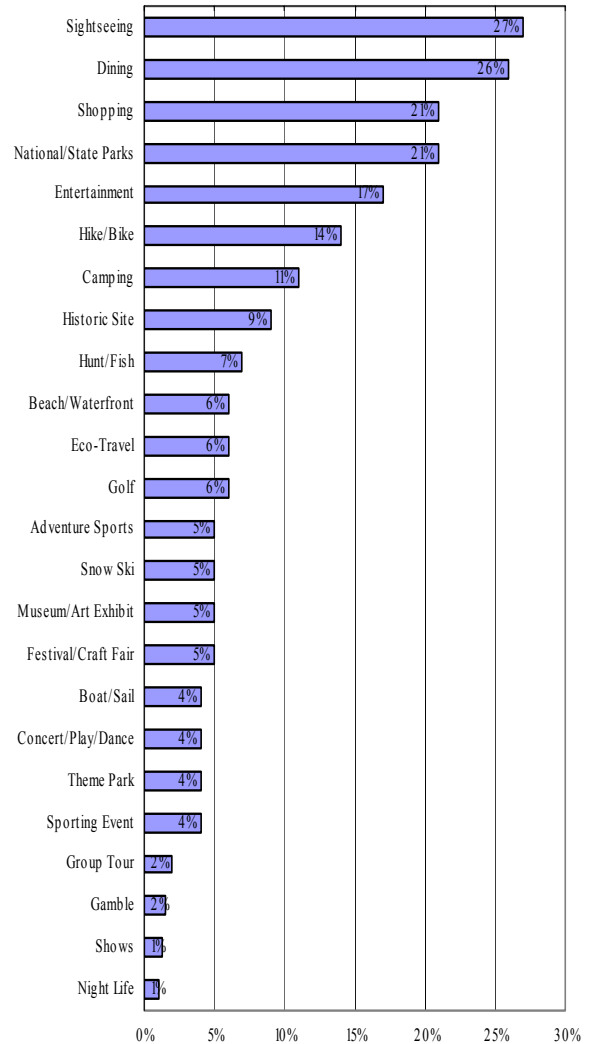
Season of Travel, 2001



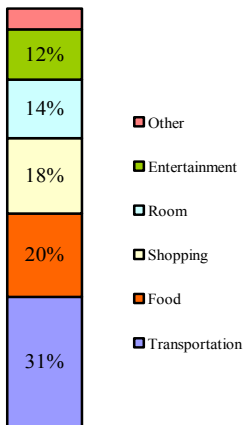
Purpose of Stay, 2001
Overnight Leisure 100%



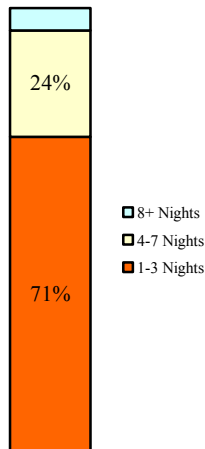
Activities of Travelers to Utah, 2001



Expenditures, 2001
Average (per person per day) \$75



Length of Stay, 2001
Average 3.1 Nights



SOURCE: 1998 Non-Resident Overnight Visitor Profile, D.K. Shifflet and Associates, Ltd.

Consumer Trends

The last few years have been turbulent for the tourism industry. A weak economy, combined with the effects of 9/11, SARS, and the threat of terrorism have all combined to negatively affect the travel behavior of the general public. Most recently, the war with Iraq caused some to postpone or cancel both business and leisure travel plans. Additionally, people have been reluctant to travel longer distances and to international destinations. Nevertheless, according to YPBR/Yankelovich Partners, 61% of leisure travelers say that attractive discounts or promotional offers from airlines, hotels and on complete vacation packages would get them to take a leisure trip that they otherwise planned to cancel because of the war in Iraq.⁵ People also plan their trips at the last minute and do a lot of price shopping on the Internet. Nevertheless, now that the economy is showing signs of improvement, there is cautious optimism that the upcoming years will be good for the travel and tourism industry.

A number of trends have emerged in light of these world events:

- **Family comes first.** A trend underway for much of the past several years, the move to reconnect with family and build stronger relationships was accelerated after September 11th. One study showed that 71% of parents wish their family spent more time together as a group, and 69% wish they had more time to just sit and talk with their kids. Furthermore, multi-household leisure travel with extended family and friends is also being practiced by 80% of leisure travelers.⁶
- **Not enough time.** Many people have to deal with time poverty. In the YPBR/Yankelovich study, 51% agreed that they don't have enough vacation time. In fact, 54% percent take vacations that last less than four days, and a Saturday stay is included. Clearly, people feel like they have less time for leisure, and they include the weekend in their vacation time. Another 23% of those surveyed take a vacation of less than four days during weekdays, and only 23% take an extended vacation longer than 5 days⁷.
- **Reduce Stress.** In this modern world of cell phones, pagers, laptop computers, etc., work can follow people home and on vacation. People seem to have a need to truly get away from it all and there are a lot of options. Cruises continue to be formidable competitors of land-based resorts. Spas are popping up all over the place as people strive to reduce stress. Additionally, travelers have shown interest in making connections with nature. More interest in outdoor recreation activities and travel to rural America has been demonstrated.⁸ This trend should bode well for Utah's travel and tourism industry.
- **Due to the Internet, value and brand charisma are even more crucial.** Given the weak economy of recent years, unemployment has been higher than normal and people are saving less. People are purchasing with credit more often now than in the past, and while consumer confidence has been on the rise recently, it's still below pre-9/11 levels. Consequently, 82% of those surveyed say they always attempt to negotiate the best rate when making hotel reservations.⁹ In fact, obtaining a better deal than the next person is almost considered a status symbol for today's traveler. Consumers have more choices, and consequently, more control. Sixty percent of respondents agreed that this greater control is the single most important change created by the Internet. The use of the Internet by both business and leisure travelers continues to increase. Consumers want to customize products and services to meet their own needs and desires. Comparative shopping sites, auction sites, and more looking than booking, combined with last minute booking has affected most destinations and service providers in the industry. Peter C. Yesawich pointed out that because of these changes in the industry, brand charisma is extremely important. Brand charisma is where a brand has such tremendous appeal that a customer will go out of his/her way to use that brand (or visit that destination).¹⁰ Value, service, customization, and offering something unique are all important factors in standing out from the crowd.

⁵ 2003 National Leisure Travel MONITOR™, KYPBR/Yankelovich Partners, 2004.

⁶ Ibid.

⁷ Ibid.

⁸ Outlook on U.S. Tourism and Overview, Travel Industry Association of America, 2003.

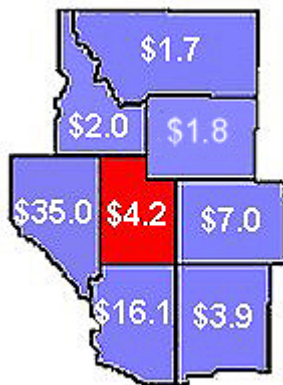
⁹ 2003 National Leisure Travel MONITOR™, KYPBR/Yankelovich Partners, 2004.

¹⁰ Ibid.

2004 Competition Analysis – Utah Tourism

The challenge to Utah's competitive positioning remains building awareness of the state and differentiating Utah's image and brand from those of other surrounding states. Utah faces significant challenges from the strength of the image and awareness of its two nearest competitors: Arizona and Colorado. The 2002 Olympic Winter Games in Salt Lake City helped Utah improve its image and build awareness, but research also shows that without reminding people of what the state has to offer, people still think of Utah as dry, brown, conservative, with little to do. Once they are reminded about the beauty of the state and all that can be done here, people's attitudes seem to improve. Now that the Olympics have come and gone, funds for tourism marketing are significantly lower. Other states have larger budgets and are spending more on advertising. Utah will continue to lose market share if not given the funding to at least match the reach and frequency of advertising by its competitors.

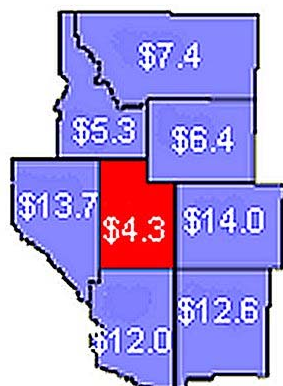
Total Traveler Spending in Mountain Region 2002 (Billions)



Tourism is an integral component of the regional economy. Each of the states in the Mountain region have sizeable tourism industries that significantly impact the economies of their respective states. Further, with the notable exception of Nevada, most of the region's tourism is surprisingly similar. Visiting National Parks and touring comprise the primary activities of visitors in each of the states. Outdoor recreation also attracts large numbers of visitors to the region. Denver and Phoenix are the region's primary business hubs, although most of the region's leisure travel revolves around Las Vegas. For the majority of the states, inter-regional travel represents their primary markets. In addition, most of the states actively compete for leisure travelers in the California and Texas markets.

Colorado and Arizona have more mature tourism industries than Utah. Each of those states attracts a much larger number of destination visitors than Utah. As a result, the average stay is slightly longer in both states and the average daily spending by visitors is also higher than the Utah average. As Utah's tourism product benefits from increased awareness and publicity, it is anticipated that an opportunity will exist to capture market share from neighboring destinations. In fact, this appeared to occur in the ski industry this year. While Utah enjoyed its best year ever, the number of skier days in Colorado was down approximately 4%, perhaps suggesting that Utah may have gained some market share from Colorado. However, to some extent, the ability to capture or maintain market share is tied to available resources.

Total State Tourism Office Budget FY 2003-2004 (Millions)



Historically, the state tourism offices of both Colorado and Arizona (as well as Nevada, New Mexico, and Montana) have received more funding for tourism marketing than Utah. In an effort to capitalize on the Olympics, the Utah State Legislature approved budget increases that were one-time supplemental appropriations that should not be considered as a long-term budget shift. In fact, in FY 2004-05, Utah's Division of Travel Development budget will be lowered to \$3.9 million. If Utah's competitors maintain or increase their state tourism budgets, Utah will most likely continue to lose market share.

Travel patterns have changed in recent years to reflect an increased preference for short weekend getaways rather than extended vacations. Growing economic concerns and the ease of shopping for the lowest price on the Internet have made consumers more cost conscious. The events of September 11th accelerated the trend further by focusing travel on regional drive markets to avoid unnecessary air travel and to remain closer to home. Because of Utah's distance from major metropolitan areas, the state is not generally considered as a weekend getaway destination. The focus on regional drive markets has also intensified the competition for travelers within the western region. Destination Marketing Organizations such as California and Las Vegas that traditionally marketed to a national and/or international audience have re-focused resources on the local and regional markets.

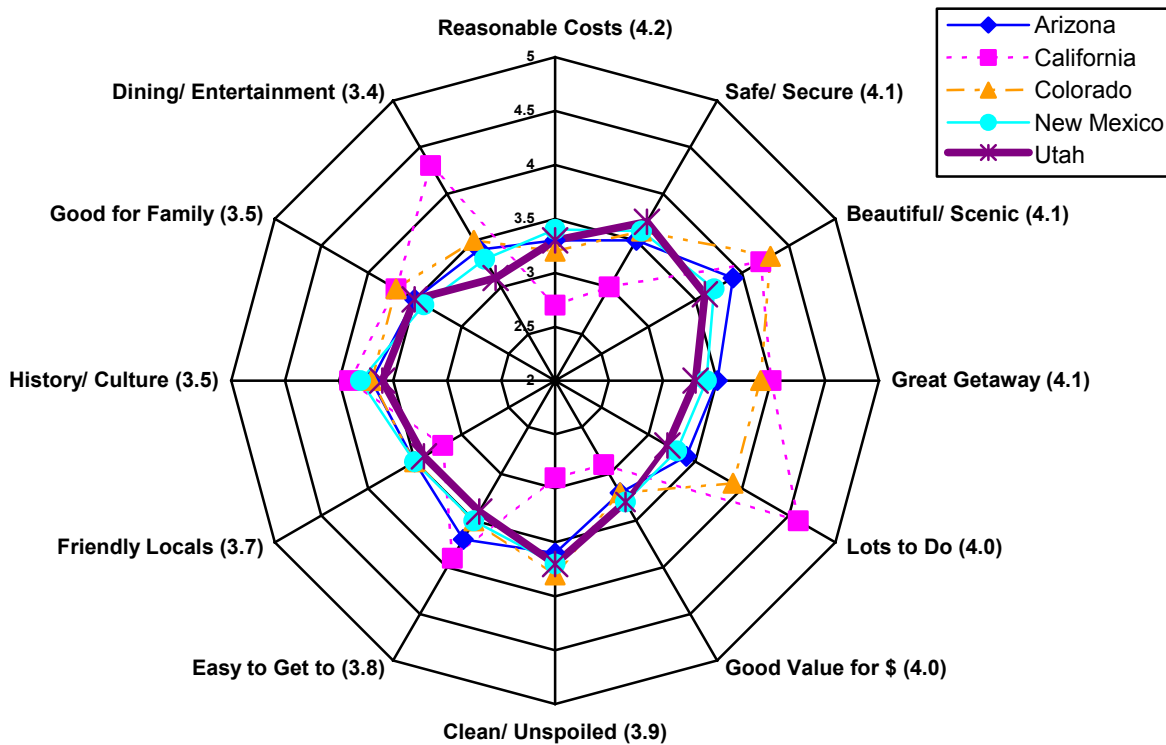
Utah's most significant challenge lies in increasing awareness of what the state has to offer. Key

findings from a FY 2003 advertising effectiveness study conducted by NFO Plog

Research concluded:

- Among residents in 11 Western states, Utah's image is similar to competitive states on most attributes, but is deficient on:

- Beautiful / Scenic
- Great Getaway
- Lots to do
- Dining / Entertainment



- However, if Utah can entice tourists to come, they like what they find. Among residents of 11 Western states, over 80% of Utah visitors were satisfied with their visit
- Two in five recall Utah's advertising, lowest among the competitive states. By market, results are: 53% in Los Angeles, 60% in Las Vegas, and 32% in Dallas.
- Correspondingly, Utah's advertising impact is the lowest among competitive states. Further promotion of Utah and development of a more accurate image is essential to not only attracting greater tourism, but even maintaining the current level.
- Why? Because advertising works. Meanwhile, competitive states constantly seek to "raise the bar" in competing for tourists' dollars. If Utah fails to increase the reach and frequency of advertising, it will lose ground to nearby competitive destinations.
- Fewer than one in five (17%) respondents expect (extremely/very likely) to visit Utah in the future. The ratio is higher among past visitors and slightly higher among those aware of the advertising.
- Currently, using a very conservative estimate, the Utah Travel Council impacts over \$30 million of tax revenue, returning \$8.64 on each advertising dollar spent.

Along with the quantitative results of the FY 03 Utah Advertising Effectiveness Study, a qualitative study of focus groups was conducted by Riester-Robb, the advertising agency for the Utah Division of Travel Development. The objective of the 2003 Riester-Robb Qualitative Study was:

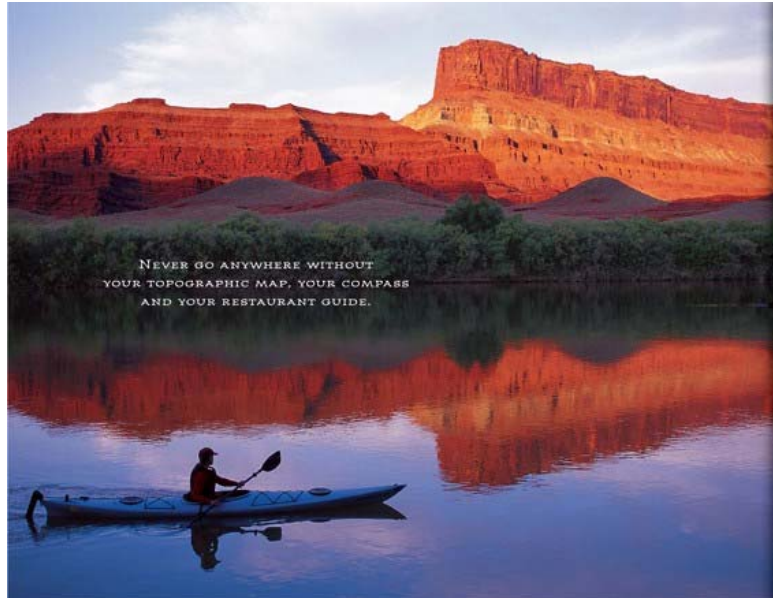
To determine the most appropriate message opportunity evolving the campaign from the post-Olympic afterglow into the next phase attracting additional visitors in the current social climate.

Consumer focus groups in Utah's three major feeder markets of Dallas, Phoenix, and Los Angeles were questioned. Key findings in the study include the following:

- Travelers seek a large assortment of activities while on vacation
 - Hiking, camping, fishing, golfing, scuba diving, snorkeling, skiing, snowboarding, trips to the beach, shopping, dining, and sightseeing
- Most claim to take vacations to relax and rejuvenate, but are really looking for activities to take their minds off of their everyday lives
- Study participants associated the following with Colorado:
 - Skiing, snow, mountains, beautiful scenery, Denver
 - High level of excitement
 - Linked Colorado to unlimited outdoor activities
 - More exciting than Utah
- Study participants associated the following with Utah:
 - Mormons, religion, Salt Lake
 - Low level of excitement
 - Considered Utah to be conservative
 - Limited nightlife available
 - Limited activities available
 - Described as desert-like, red-rocks
- Participants were also questioned about the 2002 Salt Lake Olympic Winter Games:
 - Majority of participants watched at least one event
 - Thought the games were well done
 - Olympics made people feel more positive about Utah
 - People are not necessarily motivated to visit Utah because the Games were held there
- Regarding advertising:
 - Almost all claimed to have seen tourism ads
 - Overall, a low awareness when it came to specific details of any ads
 - Very few recalled seeing ads for Utah
- Participants seemed to have a lack of awareness or knowledge:
 - Limited tourism marketing funds leave the audience to build their own perceptions
 - Through word of mouth
 - Through their own travel experience
 - Through the little knowledge they currently own
 - Through the advertising and communication efforts
- The Utah brand needs to portray a more desirable attitude to its audience:
 - It needs to reflect a brand world to which the majority of the audience would like to escape

- Communication efforts need to share new, exciting, competitive and aspirational dimensions of a vacation experience in Utah

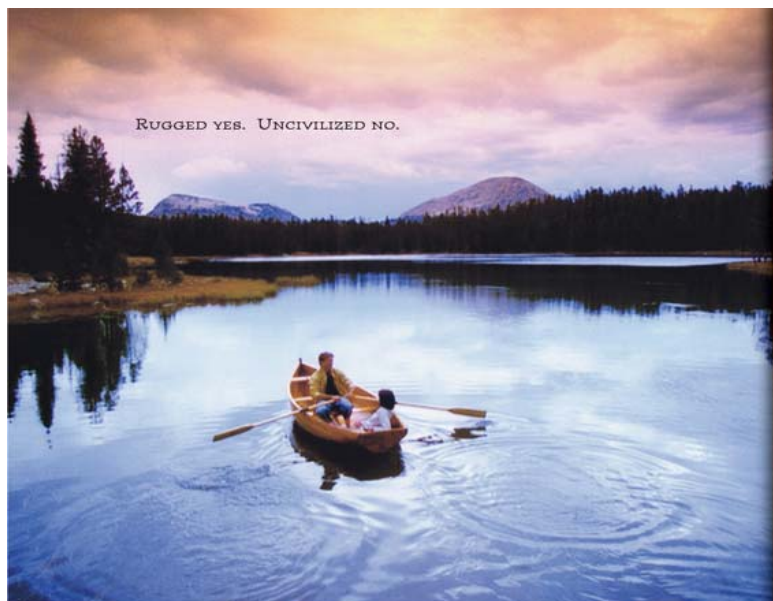
Below are the Utah ads for Spring 2004 which emphasize the fact that Utah does have water recreation in beautiful surroundings, plus wonderful restaurants close to the outdoor recreation areas:



NEVER GO ANYWHERE WITHOUT
YOUR TOPOGRAPHIC MAP, YOUR COMPASS
AND YOUR RESTAURANT GUIDE.

Utah! and such gorgeous and
inspiring scenery are laden with
world-class hotels, lodges and award-
winning restaurants. Surprised?
That's what a visit to Utah is all
about. You'll find one unexpected
pleasure after another. Like gourmet
dining and therapeutic treatments to
rejuvenate your day of hiking or
skiing. For a taste of Utah, visit
Utah.com today.

Utah!
utah.com



RUGGED YES. UNCIVILIZED NO.

Come see where the Unsettled States
can turn you to a peaceful. You'll find
our rivers, lakes and streams come
well stocked with comfortable.

Lodges, fine dining and civilized
amenities make you feel relaxed
and welcomed. Chilled with us
this summer. To plan your trip,
visit Utah.com today.

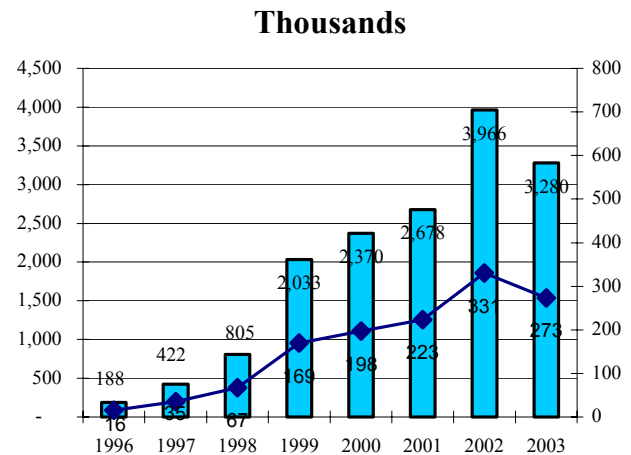
Utah!
utah.com

2004 Inquiry Analysis – Utah Tourism

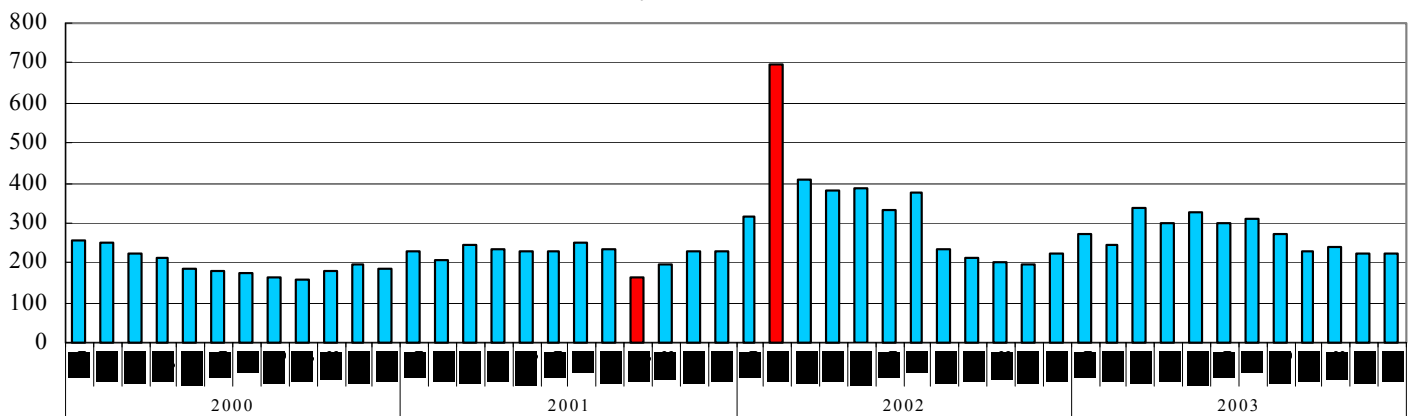
Internet

The Internet has rapidly become the premier tool for travel planning. More and more, consumers are turning to online sources to build and customize itineraries for their trips. This includes looking for deals, deciding which activities and events to pursue, and downloading maps and other transportation details. Utah has experienced a dramatic rise in the popularity of its consumer website, www.utah.com. Visits to the website have increased steadily through 2002. The Olympics had a dramatic effect on the amount of traffic on the website. Website visits during February 2002 totaled nearly 700 thousand. The number of visits in 2003 was lower than in 2002, but still much higher than in 2001. This seems to indicate that the popularity of the Internet for travel planning continues to grow.

Utah.com Internet Inquiries



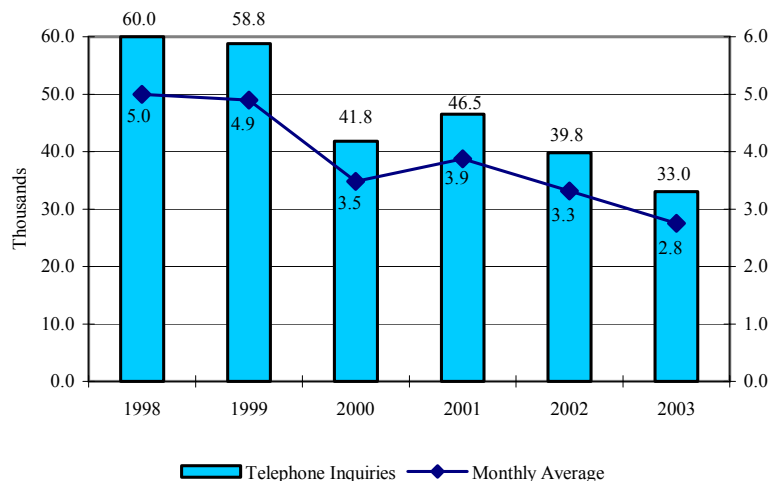
Monthly Visits to Utah.com



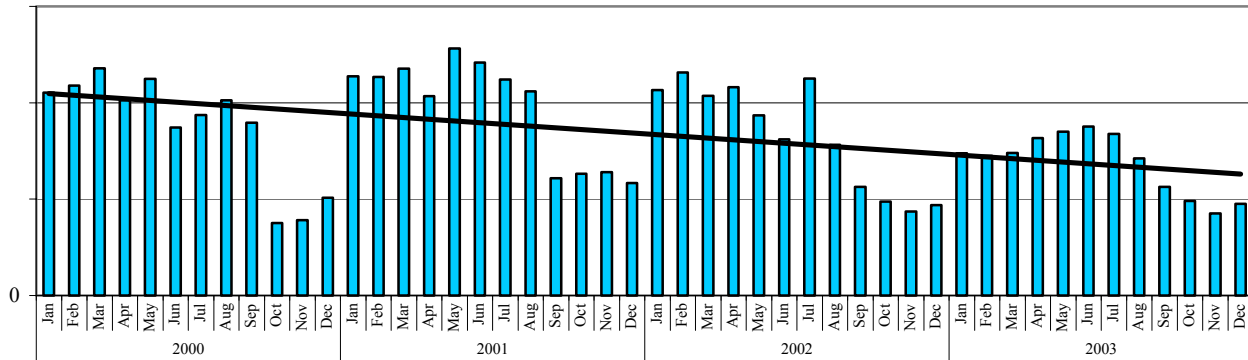
Telephone Inquiries

From 1996 to 1999, the Division included the toll free telephone number and utah.com website address in all advertising. During the 2000 campaign, the Division experimented with publishing only the website address. The number of phone inquiries reflects the decision – call volume declined significantly during 2000. In response to many visitors who requested quick access to a telephone number, the toll free telephone number was added to the home page banner. In recent years, the toll free number has been found in some print ads but not in others, and it has not appeared in television ads. In 2001, the call volume increased, but has steadily declined since then. The increased popularity of the Internet combined with the sporadic use of the toll free telephone number in the Division's advertising may account for the decline over the last few years. Now, nearly 3,000 inquiries are received per month.

UTC Telephone Inquiries



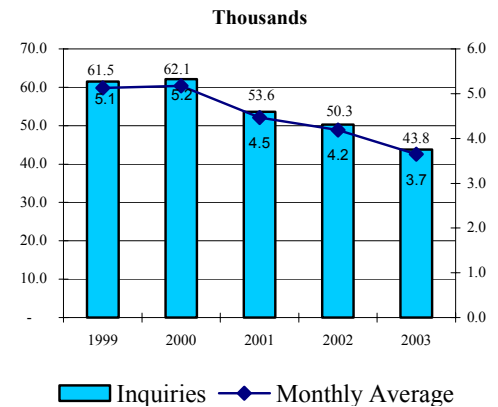
UTC Call Center Activity



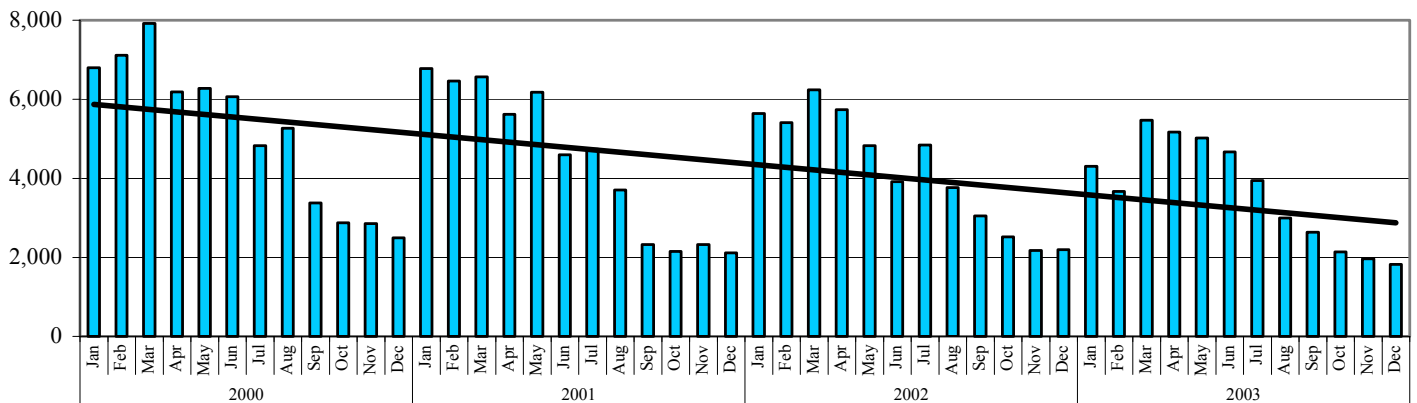
Travel Guide Distribution

Travel guide distribution has been declining steadily the last few years. In the late 1990's and in the year 2000, travel guide fulfillment hovered around 60,000 per year. Nevertheless, the average number of travel guides distributed each month has lowered from around 5,000 to 3,700 over the last five years. A variety of factors have contributed to the decline. The weak economy, combined with 9/11, SARS, terrorism, and the war in Iraq contributed to people traveling less. Perhaps a larger factor is the Internet. People can go online to get the same information found in the travel guide. Additionally, the Internet has enabled people to make their travel plans at the last minute, which eliminates the need to order a travel guide weeks in advance.

UTC Travel Guide Fulfillment



UTC Travel Guide Fulfillment



2003 Travel Guide Fulfillment

During 2003, 43,800 requests for Utah Travel Guides were recorded, roughly 13% fewer Travel Guides than were distributed during 2002. The ratio of international requests compared to total requests declined about 1% compared to 2002 – approximately 8% of total requests. Fulfillment requests were received from all fifty states, the District of Columbia, several U.S. Territories, and 70 different countries worldwide.

Domestic Requests. Total domestic travel guide requests totaled 40,496 in 2003. The distribution of requests generally paralleled state population, with the more populated states accounting for the majority of all requests. Texas, California, Florida, Illinois, and New York each accounted for 4.0% or more (1,700+) of all domestic requests.

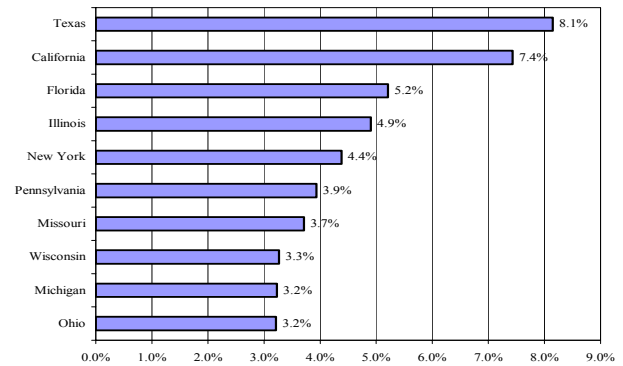
Because population differences make state comparisons difficult, a per capita measure of information requests is useful to examine Utah's relative performance in various states. As expected, several western states appear at or near the top of the list -- Utah, Wyoming, and Montana.

Several Midwest states, including Missouri, Kansas, Wisconsin, South Dakota, Nebraska, Minnesota, and Iowa also appeared in the top ten, suggesting a possible regional advantage among travelers from that area. The average number of requests per million people among all fifty states was 137.

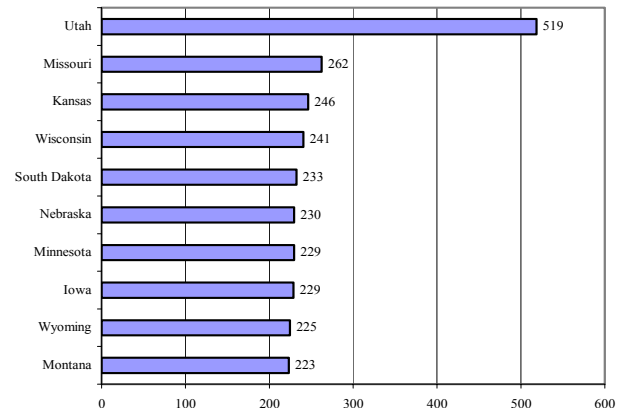
Sources of Travel Guide Requests. The sources of inquiries during 2003 reflect the continued growth of the Internet in travel planning. Travel guide requests received via the Internet and road atlases were the primary sources of information requests received throughout the year. Although these two sources represent approximately 84% of the overall total, other sources of inquiry continued to attract attention. Traditional inquiry resources such as magazines, toll free telephone numbers and newspapers also contributed to making Utah information available to the greatest number of consumers. Additionally, nearly 2% of those who requested information found out about Utah from their friends.

International Requests. International travel guide requests totaled 3,304 during 2003 and were received from 70 countries. The majority of requests originated from Canada and Western Europe. Canadian requests comprised 52% of total international inquiries. The Western European countries of the United Kingdom, Germany, Netherlands, Italy, and France comprised another 30%. The widespread international distribution of the Utah Travel Guide and the number of requests from developing countries in Eastern Europe, Asia and South America reflects the ease with which information can be exchanged in the modern economy and the increasing interest in international travel. For example, Brazil, India, Mexico, Romania, Philippines, Taiwan, Czech Republic, and Poland all ranked in the top twenty-five as countries most frequently requesting Utah information.

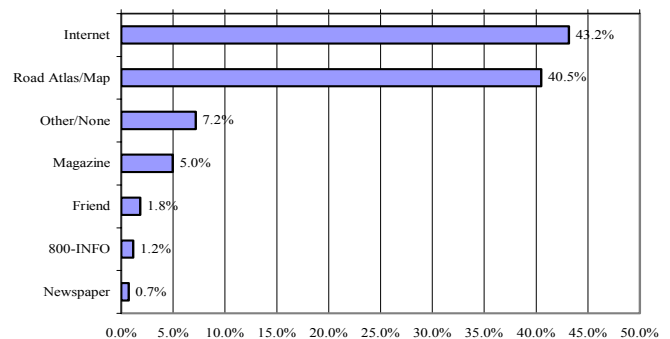
Total Requests by State
(% of total U.S. Requests)



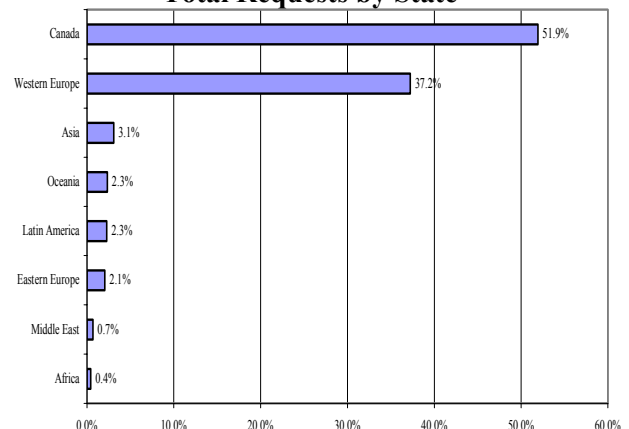
Total Requests by State
(per million population)



Major Sources of Travel Guide Requests



Total Requests by State



2004 International Consumer Analysis – Utah Tourism

Overview

The international visitor currently represents a small but important travel segment in Utah's tourism economy, comprising nearly 3.5% of total Utah visitors. International travelers to Utah account for over \$510 per person per trip, compared to just \$336 per person per trip for a domestic visitor. The international traveler typically stays longer and spends more than their domestic counterpart. Given the current low value of the dollar, the United States is an attractive destination for overseas travelers, although upcoming visa restrictions may make it more difficult for those visitors to come here.

Global Travel

Global travel has increased at a remarkable pace throughout the last fifty years, growing from 25 million international arrivals in 1950 to a record 698 million in 2000. At the turn of the century, tourism ranked among the top five export categories for 83% of all countries. Increasing globalization, growth in many economies, and what has been termed the democratization of information has mobilized travelers around the globe and motivated them to look for new and unique experiences. Distance has become less of a barrier as increased air capacity and flights to and from a greater number of cities have opened up new markets and allowed more people to travel beyond their national borders. Despite the obstacles encountered in recent years, notably the September 11th tragedy, a global economic recession, the war on terrorism, SARS, and the war in Iraq, the outlook for international travel remains positive. During 2003, the World Tourism Organization (WTO) estimates international tourism arrivals declined 1.2% to 694 million. The WTO expects a moderate recovery in 2004. Improving economies, stabilization of various conflicts and pent-up demand should stimulate international travel. Trends indicate a dynamic environment with new destinations consistently increasing the diversity of products and services. Interest in cultural travel, sports and adventure tourism, rural tourism, nature-based travel, and cruises continues to increase, highlighting future growth segments.

International Travel to the U.S.

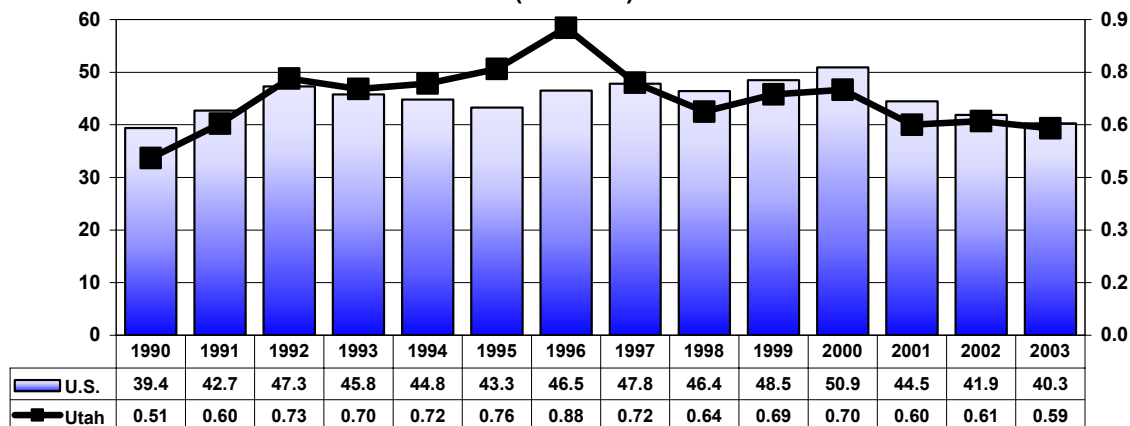
For 2002, it was estimated that the number of international travelers to the U.S. decreased by 7% to 41.9 million. Traveler spending by international visitors accounted for \$83.6 billion in the U.S. economy. Despite the dismal performance of 2002, it is believed that conditions deteriorated further in 2003. Preliminary results for the year indicate total arrivals to the U.S. likely decreased 4% to 40.3 million. Additionally, traveler spending by international visitors in 2003 declined to \$80.7 billion. A sluggish global economy, SARS, the Iraqi war, and airline capacity constraints in many of the top markets caused eight months of decline from February to September of 2003.

In 2003, travel to the U.S. declined from all world regions except Western Europe. Arrivals from that region totaled 8.3 million for the year, up nearly one percent. The U.K. was the key driver from that part of the world. Given an improving world economy and the low value of the American dollar, there is optimism that international travel to the U.S. will increase from 2004 through 2007. Canada, Mexico, the United Kingdom, Japan and Germany were the top U.S. markets in 2003, each recording more than one million visitors to the U.S. Predictably, most international visitation occurred at major urban centers or "gateways" within the U.S. – such as New York, Miami, Los Angeles, Honolulu, Chicago, San Francisco, Newark, Atlanta, Orlando, Boston, Detroit, and Houston. However, once international visitors arrive at the gateway city, many travel to other destinations. Thus many non-gateway destinations still attract a significant number of international visitors. One of the changes in travel behavior as a result of September 11th has been a shift towards "undiscovered" destinations within the U.S., which are seen as attractive alternatives to traditional urban centers because they are perceived as safer destinations.

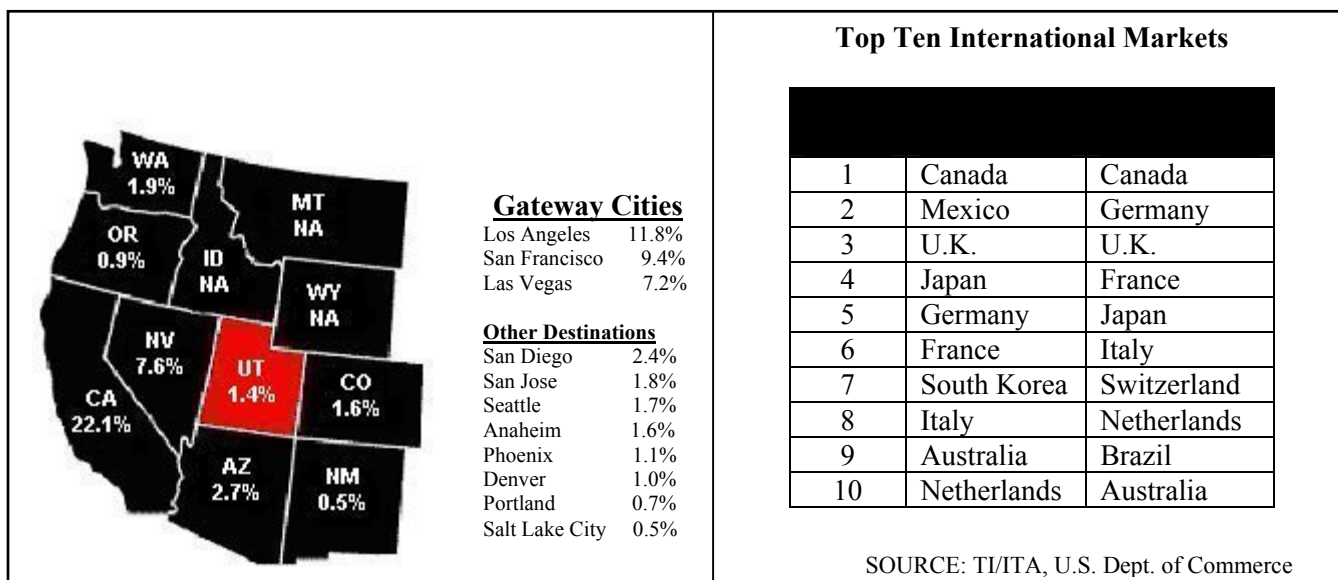
The average international visitor to the U.S. in 2000 stayed 16 nights and visited just 1.5 states. Los Angeles, San Francisco and Las Vegas are the major Western gateways. Other large Western cities attract smaller numbers of travelers. Well-known national parks such as Grand Canyon and Yosemite are also major attractions. Other parks, such as Yellowstone, Bryce Canyon and Zion are popular secondary destinations.

Source: TI/ITA, U.S. Department of Commerce

International Arrivals to Utah and the U.S. (millions)

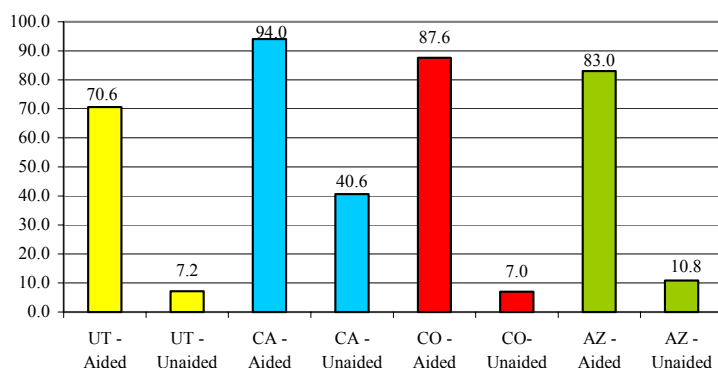


Note that the 2003 numbers are preliminary estimates.



Visitation to a destination is usually positively correlated to awareness. A destination with a strong identity and a well-known image is more likely to receive attention from international travelers. Research conducted prior to the 2002 Winter Olympic Games indicated a very low awareness level of Utah in key international markets. However, research conducted by the David Eccles School of Business at the University of Utah demonstrated that awareness Europeans have of Salt Lake City and the state of Utah increased dramatically after the Olympics. The knowledge of Utah's mountains and deserts also increased. Nevertheless, even with aided recall, the awareness of California, Arizona, and Colorado is significantly higher than the awareness of Utah. Notwithstanding, it is interesting to note the difference that aided recall makes in each state's awareness compared to unaided recall (see the chart below). Clearly, aided recall is crucial to building international awareness of Utah as a destination. Currently, the Utah Division of Travel Development is allocated less money for advertising than it's regional competitors (like Arizona and Colorado). Utah can reference the nearest well-known gateway city in advertising and promotion or provide a user-friendly choice of itineraries and/or packages via the Internet or through other collateral materials. Nevertheless, other states spend more money on advertising than Utah, causing many to fear that Utah will continue to lose market its nearby competitors.

Average Awareness of Select Western States



SOURCE: *Utah Image and Awareness: The Post-Olympics European Study, 2002*, David Eccles School of Business, University of Utah

International Travel to Utah

International travel to Utah is expected to grow over the next several years. However, international travelers are generally sensitive to the economic conditions in their home country as well as external shocks that effect travel demand. For example, 9/11, the weak world economy, SARS, terrorism, and the war in Iraq have all significantly impacted international travel to the U.S., including Utah. Indeed, after such tumultuous events, early estimates indicate that international visitor arrivals to Utah in 2003 fell to 590,000, their lowest level in the last 13 years. A significant decrease in visitors from all major markets to the U.S. from approximately February through September is largely responsible for the decline. Note that during that period, the war with Iraq was heavily underway, SARS was in the news, and airline capacity constraints occurred, causing international travel to decrease. Despite the poor performance of the sector in 2003, improving economic circumstances, improved exchanged rates (from the perspective of many foreign travelers to the U.S.), aggressive pricing, and the increased awareness and attention to the state from tour operators (resulting from the Olympics) should stimulate growth. *However, any further shocks to traveler confidence due to deteriorating economies, escalating terrorist threats or actual events could significantly erode demand recovery.*

The following market summary reflects the strengths and weaknesses of Utah's top international markets. The markets are organized into four tiers indicative of their prioritization based on the following evaluative criteria:

- Economy and Growth Prospects
- Exchange Rate
- Language Resources
- Technology Aptitude
- Seasonal and Segment Preferences
- Historic U.S. & Utah Travel Patterns
- Exogenous Social and Political Factors
- Olympic Interest
- Distribution Infrastructure
- Potential for Leveraged Partnerships

INTERNATIONAL MARKET OVERVIEW

COUNTRY	MARKET STRENGTHS	MARKET WEAKNESSES
TIER ONE		
Canada	<ul style="list-style-type: none"> - Top international market - Renewed interest in U.S. destinations - Strong Olympic interest - Year-round market - Direct flights into SLC and Las Vegas - Favorable economic conditions - No language barriers 	<ul style="list-style-type: none"> - Exchange rate
United Kingdom	<ul style="list-style-type: none"> - Strong economy - Year-round market - Largest overseas market to the U.S. - No language barriers - Direct flights to Las Vegas - Outdoor locations and activities becoming more popular 	<ul style="list-style-type: none"> - Competition for market share is intense - City most visited is Orlando, followed by New York
Germany (including Austria & Switzerland)	<ul style="list-style-type: none"> - Historically strong market for Utah - Strong interest in outdoor recreation and nature-based travel - Primarily FIT travelers - Strong Olympic interest - Large potential market - Direct flights to Las Vegas through Frankfurt - Favorable exchange rate 	<ul style="list-style-type: none"> - Sluggish economy - High unemployment - Terrorist incidents may prompt shift to European destinations
Japan	<ul style="list-style-type: none"> - Predisposed to travel to western states - Large population base - High value traveler - U.S. perceived as a value destination - Direct flights to Las Vegas - High consumer savings rate 	<ul style="list-style-type: none"> - 3 economic recessions in past decade - High sensitivity to safety perceptions - Language can be a barrier
Mexico	<ul style="list-style-type: none"> - Huge potential market - Direct air service to SLC and Las Vegas - Growing Hispanic population among Utah residents - Visiting National Parks and wilderness areas are some of the main reasons they visit the U.S. 	<ul style="list-style-type: none"> - Relatively poor population - U.S. visitation concentrated on CA, TX and FL - Stiff visa requirements cause some Mexicans to go elsewhere
TIER TWO		
France	<ul style="list-style-type: none"> - Strengthening market to secondary U.S. destinations - Strong FIT travel - Growing interest in outdoor recreation and nature-based tourism - Strong Olympic Interest - Favorable Exchange rate 	<ul style="list-style-type: none"> - Experiencing a sharp economic downturn - Less than 30% of population takes an outbound trip each year (far below most other European countries) - Language can be a barrier - Political tension with the U.S.
Benelux (Netherlands & Belgium)	<ul style="list-style-type: none"> - Economy poised for modest recovery - Multi-lingual travelers - High comfort level with technology - Primarily warm weather travel, but potential for year round visitors - Strong growth throughout 1990s - Strong Olympic interest 	<ul style="list-style-type: none"> - Relatively smaller market - Terrorist incidents may prompt shift to European destinations

COUNTRY	MARKET STRENGTHS	MARKET WEAKNESSES
TIER TWO (continued)		
Italy	<ul style="list-style-type: none"> - FIT travel with high interest in American Southwest - High Olympic interest - Strong interest in outdoor recreation including skiing - Some economic instability - Favorable Exchange rate - Many Italians have 5-6 weeks of vacation per year – ample time to travel 	<ul style="list-style-type: none"> - Moving away from extended vacations to shorter breaks - Terrorist incidents may prompt shift to short-haul destinations in Europe and North Africa
South Korea	<ul style="list-style-type: none"> - Fast growing market - Predisposed to west coast destinations - High Olympic interest - High value traveler - Popularity of visiting natural and scenic sites is on the rise 	<ul style="list-style-type: none"> - Language can be a barrier - Sensitive to economic fluctuations - Travel is generally to major cities with strong VFR segment - Exchange rate
TIER THREE		
Scandinavia (mostly Sweden & Denmark)	<ul style="list-style-type: none"> - Frequent international travelers - High comfort with technology - Very strong Olympic interest - Primarily summer travelers - High incomes and 5-6 weeks of paid vacation time 	<ul style="list-style-type: none"> - Little U.S. visitation beyond East and West Coasts - Exchange rate - Relatively small markets - Diverging interests among nations - No previous experience in markets - Less frequent air service to the U.S., mostly through Stockholm and Copenhagen
Spain	<ul style="list-style-type: none"> - Large market with growth potential as long-haul travel becomes affordable - FIT travelers with interest in American Southwest - Potential for year-round market - Strong Olympic interest - Exchange rate 	<ul style="list-style-type: none"> - Incomes and employment levels below European average - No air service west of Mississippi - No previous experience in the market
Australia	<ul style="list-style-type: none"> - Strong economic growth - Year round market - High comfort with technology - FIT travel common with preference for West coast destinations - No language barriers 	<ul style="list-style-type: none"> - Exchange rate - European destinations are preferred for long-haul travel
Czech Republic	<ul style="list-style-type: none"> - Growing economy - High Olympic interest - Strong use of technology - Demonstrated interest in Utah 	<ul style="list-style-type: none"> - Population relatively poor compared to other Europeans - Language can be a barrier - Exchange rate
China (including Hong Kong & Taiwan)	<ul style="list-style-type: none"> - Huge potential market - High value traveler among consumers who can afford it - Fascination with American history and culture - Direct service to Las Vegas via Hong Kong 	<ul style="list-style-type: none"> - Relatively poor population - Bureaucratic system makes international travel difficult - Primary destinations are urban centers - Sensitive to safety concerns